

**Wasatch Homeless Health Care, Inc.**

**Year Ended December 31, 2005**

**Financial Statements**

**And**

**Independent Auditor's Report**

**With Supplementary Information**

**And**

**Compliance Reports**



## **Wasatch Homeless Health Care, Inc.**

### **Table of Contents**

<b>Independent Auditor's Report</b>	<b>1</b>
<b>Financial Statements</b>	
<b>Statement of Financial Position</b>	<b>2</b>
<b>Statement of Activities</b>	<b>3</b>
<b>Statement of Functional Expenses</b>	<b>4</b>
<b>Statement of Cash Flows</b>	<b>5</b>
<b>Notes to Financial Statements</b>	<b>6</b>
<b>Supplementary Information and Compliance Reports</b>	
<b>Schedule of Expenditures of Federal Awards</b>	<b>11</b>
<b>Schedule of Findings and Questioned Costs</b>	<b>12</b>
<b>Report Internal Control Over Financial Reporting     And on Compliance and Other Matters Based on an     Audit of Financial Statements Performed in Accordance     with <i>Government Auditing Standards</i></b>	<b>13</b>
<b>Report on Compliance With Requirements Applicable     to Each Major Program and on Internal Control Over     Compliance in Accordance with OMB Circular A-133</b>	<b>14</b>
<b>Report on Compliance with State of Utah Legal     Compliance Audit Guide</b>	<b>16</b>



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Wasatch Homeless Health Care, Inc.  
Salt Lake City, UT

We have audited the accompanying statement of financial position of Wasatch Homeless Health Care, Inc. (a nonprofit organization) as of December 31, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wasatch Homeless Health Care, Inc. as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2006 on our consideration of Wasatch Homeless Health Care, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Wasatch Homeless Health Care, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Shaw Mumford & Co., P.C.*

Bountiful, Utah  
September 20, 2006

# Wasatch Homeless Health Care, Inc.

## Statement of Financial Position

December 31, 2005

### ASSETS

#### Current assets

Cash and cash equivalents	\$ 390,664
Accounts receivable	246,692
Payroll advances	1,525
Inventory	<u>63,075</u>

Total current assets 701,956

#### Fixed assets, at cost

Building	667,219
Land	1,898,271
Improvements	816,497
Equipment and software	<u>244,687</u>
Total fixed assets	3,626,674

Less: accumulated depreciation (586,914)

Net fixed assets 3,039,760

Total assets \$ 3,741,716

### LIABILITIES AND NET ASSETS

#### Current liabilities

Accounts payable	\$ 68,983
Accrued liabilities	62,836
Line of credit	75,000
Current portion of long-term debt	<u>47,756</u>

Total current liabilities 254,575

Long-term debt, net of current portion 1,263,916

Total liabilities 1,518,491

#### Net assets

Unrestricted	2,073,225
Temporarily restricted	150,000
Permanently restricted	<u>-</u>

Total net assets 2,223,225

Total liabilities and net assets \$ 3,741,716

See accompanying notes to financial statements.

# Wasatch Homeless Health Care, Inc.

## Statement of Activities Year Ended December 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES AND SUPPORT</b>				
Government contracts and grants	\$ 1,564,892	\$ -	\$ -	\$ 1,564,892
In-kind contributions	851,360	-	-	851,360
Foundation and corporate grants	224,550	150,000	-	374,550
Public donations	175,474	-	-	175,474
Volunteer services	162,396	-	-	162,396
UISP reimbursement income	146,390	-	-	146,390
Patient charges	124,301	-	-	124,301
Rental income	113,233	-	-	113,233
Medicaid settlements	65,625	-	-	65,625
Other income	6,253	-	-	6,253
Interest income	2,125	-	-	2,125
	<u>3,436,599</u>	<u>150,000</u>	<u>-</u>	<u>3,586,599</u>
<b>EXPENSES</b>				
Program services	2,991,429	-	-	2,991,429
Management and general	262,584	-	-	262,584
Fundraising	187,846	-	-	187,846
	<u>3,441,859</u>	<u>-</u>	<u>-</u>	<u>3,441,859</u>
Change in net assets	(5,260)	150,000	-	144,740
Net assets, beginning of year as previously reported	2,144,950	-	-	2,144,950
Prior period adjustment - error (see Note 6)	(66,465)	-	-	(66,465)
Net assets, beginning of year as restated	2,078,485	-	-	2,078,485
Net assets, end of year	<u>\$ 2,073,225</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 2,223,225</u>

See accompanying notes to financial statements.

# Wasatch Homeless Health Care, Inc.

## Statement of Functional Expenses

Year Ended December 31, 2005

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 849,580	\$ 169,916	\$ 113,277	\$ 1,132,773
Payroll taxes	63,340	12,668	8,445	84,453
Employee benefits	184,323	36,865	24,576	245,764
 Total salaries and related expenses	 1,097,243	 219,449	 146,298	 1,462,990
In-kind donations	852,600	-	-	852,600
UISP expenses	294,907	-	-	294,907
Volunteer services	162,396	-	-	162,396
Mortgage interest expense	67,289	6,187	3,867	77,343
FEMA and Respite Housing	50,394	-	-	50,394
Pharmacy services	49,698	-	-	49,698
Outside services	42,121	3,873	2,421	48,415
Supplies	31,979	2,941	1,838	36,758
Software systems support	31,535	2,900	1,812	36,247
Utilities	29,890	2,749	1,718	34,357
Travel	27,710	2,548	1,593	31,851
Telephone	23,074	2,122	1,326	26,522
Training	18,099	1,664	1,040	20,803
Property tax expense	17,370	1,597	998	19,965
Repairs and maintenance	17,149	1,577	986	19,712
Cleaning	16,041	1,475	922	18,438
Patient incentives	15,109	-	-	15,109
Contract and grant writing	-	-	14,587	14,587
Printing and publications	10,858	998	624	12,480
Rent	10,144	933	583	11,660
Miscellaneous	9,605	883	552	11,040
Insurance	9,444	868	543	10,855
Small equipment	9,022	830	519	10,371
Dues and subscriptions	8,728	803	502	10,033
Legal and professional	5,853	538	336	6,727
Postage and freight	2,311	213	133	2,657
Recruiting	478	44	28	550
 Total expenses before depreciation	 2,911,047	 255,192	 183,226	 3,349,465
Depreciation	80,382	7,392	4,620	92,394
 Total expenses	 <u>\$ 2,991,429</u>	 <u>\$ 262,584</u>	 <u>\$ 187,846</u>	 <u>\$ 3,441,859</u>

See accompanying notes to financial statements.

# Wasatch Homeless Health Care, Inc.

## Statement of Cash Flows Year Ended December 31, 2005

### CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 136,677
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	92,394
Prior period adjustment	(58,402)
Changes in operating assets and liabilities:	
Accounts receivable	130,217
Payroll advances	737
Inventory	1,240
Accounts payable	7,739
Accrued liabilities	<u>15,427</u>
Net cash provided by operating activities	<u>326,029</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of fixed assets	<u>(210,951)</u>
Net cash (used in) investing activities	<u>(210,951)</u>

### CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on long-term debt	<u>(44,260)</u>
Net cash (used in) financing activities	<u>(44,260)</u>

Net change in cash	70,818
Cash and cash equivalents, beginning of year	<u>319,846</u>
Cash and cash equivalents, end of year	<u>\$ 390,664</u>

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest	<u>\$ 77,343</u>
Cash paid for taxes	<u>\$ -</u>

See accompanying notes to financial statements.

# **Wasatch Homeless Health Care, Inc.**

## **Notes to Financial Statements**

**December 31, 2005**

### **1. ORGANIZATION AND HISTORY**

Wasatch Homeless Health Care, Inc. was incorporated under the laws of the State of Utah on July 28, 1997 as a nonprofit corporation. The Organization is a community-based health center that seeks to provide primary medical health care to indigent and homeless persons in Salt Lake City, Utah. The Organization receives a majority of its funding from federal funds, contributions, private donations and from service fees.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Organization have been prepared on the accrual basis. The Organization follows the provisions of Statements of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations" and SFAS No. 116, "Accounting for Contributions Received and Contributions Made."

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

#### Estimates in the Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Classes of Net Assets

Revenues and gains are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- a. Unrestricted net assets represent the portion of net assets not subject to donor restrictions.
- b. Temporarily restricted net assets arise from contributions that are restricted by the donor for specific purposes or time periods.
- c. Permanently restricted net assets arise from contributions that are restricted by the donor in perpetuity.

All contributions are considered available for unrestricted use, unless specifically restricted by the donors. All expenses are reported as changes in unrestricted net assets.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

#### Inventory

Inventories are stated at fair market values based on current medical and pharmaceutical pricing software.



## Notes (continued)

### Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are carried at their estimated collectible amounts. The Organization's accounts receivable are generally short-term in nature; thus accounts receivable do not bear interest.

Accounts receivable are periodically evaluated for collectibility based on past credit history with customers and their current financial condition. An allowance for doubtful accounts has not been established because management believes that all accounts receivable will be fully collectible.

### Fixed Assets and Depreciation

The Organization follows the practice of capitalizing all expenditures for buildings, land, improvements, equipment and software in excess of \$1,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is provided over the estimated useful lives of the assets, which range from five to thirty years. Depreciation expense for the year ended December 31, 2005 was \$92,394.

### Contributions

Unconditional promises to give are recognized as revenue when the underlying promises are received by the Organization. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2005.

### Concentrations of Credit Risks

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. At December 31, 2005, the Organization's uninsured cash balance totaled \$219,308. The Organization has not experienced any losses in such account and believes it is not exposed to any significant credit risk on cash.

The Organization receives a significant amount of its funding from government sources. Decreases in this government support would have an adverse effect upon the Organization.

### Fair Value of Financial Instruments

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at December 31, 2005, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

Notes (continued)

Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made. The services are considered contributions if they create or enhance non-financial assets or if those services require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The total amount of donated services for the year ended December 31, 2005 was \$162,396.

Government Funding

Funding from all government sources is considered to be unrestricted as long as it's expended under contract guidelines and is expended in the period for which it is contracted.

Patient Revenue

Certain patients receiving medical services from the Organization are billed on a sliding-scale fee based upon family size and income. The sliding scale adjustment is set by federal guidelines as a percentage of the defined poverty level. In addition, the Organization received fees from various third-party programs for qualifying patients. Patient fees are applied in meeting the non-federal share of approved budgets.

3. **LINE OF CREDIT**

The Organization maintains a line of credit with a financial institution in the amount of \$75,000. The line of credit bears a variable interest rate of 5.62% as of December 31, 2005. The amount outstanding on the line of credit as of December 31, 2005 was \$75,000. The line of credit is secured by a building owned by the Organization. Interest expense on the line of credit for the year ended December 31, 2005 was \$3,568.

4. **LONG-TERM DEBT**

Long-term debt at December 31, 2005 consisted of the following:

5.43% loan payable to a financial institution in 240 monthly installments of \$9,817 beginning 5/1/2003, secured by building costing \$2,416,408	\$ 1,311,672
Less amounts due within one year	<u>(47,756)</u>
	<u>\$ 1,263,916</u>

Maturities of long-term debt are as follows:

<u>Year ended December 31,</u>	
2006	\$ 47,756
2007	50,415
2008	53,221
2009	56,184
2010	59,312
Thereafter	<u>1,044,784</u>
	<u>\$ 1,311,672</u>

Interest expense for the year ended December 31, 2005 was \$73,775.

Notes (continued)

**5. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of a promise to give from a foundation in the amount of \$150,000. The entire amount of the promise pertains to calendar year 2006 and the Organization expects to receive the entire amount of the promise during 2006.

**6. PRIOR PERIOD ADJUSTMENT**

Net assets at the beginning of 2005 has been adjusted to correct an error made in accruing expenses related to the year ended December 31, 2004. Had the error not been made, the change in net assets for the year ended December 31, 2004 would have been decreased by \$66,465.

**SUPPLEMENTARY INFORMATION  
AND  
COMPLIANCE REPORTS**

**Wasatch Homeless Health Care, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2005**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Agency or Pass-through Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
Direct Programs			
Health Center Cluster	H66CS00489	93.224	\$ 993,138
Health Care & Other Facilities	C76HF03766	93.887	147,624
Integrated Services	H22CS02171	93.224	<u>251,350</u>
Total U.S. Department of Health and Human Services			<u>1,392,112</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Salt Lake County and Salt Lake City			
Community Development Block Grants		14.218	<u>20,000</u>
Total U.S. Department of Housing and Urban Development			<u>20,000</u>
Total Expenditures of Federal Awards			<u>\$ 1,412,112</u>

**Note 1 - Basis of Accounting**

The supplementary schedule of expenditures of federal awards is prepared on the accrual basis of accounting. Grant expenditures are recognized as funds are spent or accrued. The information in this schedule is prepared in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**Note 2 - Pass Through Awards**

The Organization receives certain federal financial assistance from pass-through awards. The total federal financial assistance from pass-through awards is noted above.

**Wasatch Homeless Health Care, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2005**

**Summary of Auditor's Results**

1. We issued an unqualified opinion in our report on the financial statements of Wasatch Homeless Health Care, Inc. for the year ended December 31, 2005.
2. The results of our audit tests disclosed no instances of noncompliance which were considered material to the financial statements.
3. We issued an unqualified opinion in our report on compliance for major programs for the year ended December 31, 2005.
4. The results of our audit disclosed no audit findings which we are required to report.
5. The major program of Wasatch Homeless Health Care, Inc. for the year ended December 31, 2005 is as follows:
  - a. Health Center Cluster                      CFDA Number                      93.224
6. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
7. Wasatch Homeless Health Care, Inc. did qualify as a low-risk auditee.

**Findings Related To The Financial Statements**

None

**Findings and Questioned Costs for Federal Awards**

None

**Findings of Prior Audit - Year Ended December 31, 2004**

There were no findings reported for the year ended December 31, 2004. Therefore, there are no outstanding resolution matters relating to major federal programs.



SHAW/MUMFORD  
AND CO. P.C.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors  
Wasatch Homeless Health Care, Inc.  
Salt Lake City, UT

We have audited the financial statements of Wasatch Homeless Health Care, Inc. (a nonprofit organization) as of and for the year ended December 31, 2005, and have issued our report thereon dated September 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Wasatch Homeless Health Care, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Wasatch Homeless Health Care, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Shaw Mumford & Co., P.C.*

Bountiful, Utah  
September 20, 2006



**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Directors  
Wasatch Homeless Health Care, Inc.  
Salt Lake City, UT

Compliance

We have audited the compliance of Wasatch Homeless Health Care, Inc. (a nonprofit organization) with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 2005. Wasatch Homeless Health Care, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Wasatch Homeless Health Care, Inc.'s management. Our responsibility is to express an opinion of Wasatch Homeless Health Care, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wasatch Homeless Health Care, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Wasatch Homeless Health Care, Inc.'s compliance with those requirements.

In our opinion, Wasatch Homeless Health Care, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of Wasatch Homeless Health Care, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Wasatch Homeless Health Care, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.



This report is intended solely for the information and use of the audit committee, management, others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Shaw Mumford & Co, P.C.*

Bountiful, Utah  
September 20, 2006



SHAW/MUMFORD  
AND CO. P.C.

**REPORT ON COMPLIANCE WITH  
STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE**

The Board of Directors  
Wasatch Homeless Health Care, Inc.  
Salt Lake City, UT

We have audited the financial statements of Wasatch Homeless Health Care, Inc. (a nonprofit organization) for the year ended December 31, 2005 and have issued our report thereon dated September 20, 2006. As part of our audit, we have audited Wasatch Homeless Health Care, Inc.'s compliance with the requirements governing activities allowed or unallowed, allowable costs/cost principles, eligibility, and reporting that are applicable to each of its major State award programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2005. Wasatch Homeless Health Care, Inc. received the following major State assistance award from the State of Utah:

**Primary Care Grant - Utah Department of Health**

The management of Wasatch Homeless Health Care, Inc. is responsible for the Organization's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Wasatch Homeless Health Care, Inc.'s compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Wasatch Homeless Health Care, Inc. complied, in all material respects, with the requirements governing activities allowed or unallowed, allowable costs/cost principles, eligibility, and reporting that are applicable to its major State award program for the year ended December 31, 2005.

*Shaw Mumford & Co., P.C.*

Bountiful, Utah  
September 20, 2006